



HOUSE BUDGET COMMITTEE

Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Democratic Member

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Federal Medical Assistance Percentage (FMAP) for Medicaid

- **Background** — The federal government's share of state expenditures for Medicaid is called the federal medical assistance percentage, or "FMAP." Each state's FMAP is set annually on the basis of a statutory formula. The lower the state's per capita income relative to national income, the higher the FMAP, and conversely. Medicaid costs have been rising faster than inflation for several years and always rise sharply in a recession. The states on average bear slightly less than half the cost of the program, and escalating cost has been a constant issue among them, particularly as more and more states have encountered fiscal problems.
- **Democratic Proposal** — Democrats propose to bring Medicaid cost relief to the states by altering the FMAP temporarily, on a one-time, one-year basis. The Democratic stimulus proposal calls for immediate enactment of legislation along the lines of the Dingell-Brown bill, H. R. 3414, introduced in December 2001. The Dingell-Brown approach would:
 - ▶ "Hold harmless" states that would otherwise have a reduction in their FMAP relative to the previous year.
 - ▶ Increase the FMAP for every state by 2 percentage points across-the-board.
 - ▶ Increase the FMAP for every state with high unemployment by an additional 2.5 percentage points.

The cost of the proposal would be approximately \$10 billion in 2003 and over 2003-13.